

2017 INTERIM FINANCIAL REPORT



PRODWAYS GROUP

19 RUE DU QUATRE SEPTEMBRE

75002 PARIS

HIGHLIGHTS

In the first half of 2017, the Company carried out a share capital increase alongside its listing on Euronext Paris, Compartment B⁽¹⁾. A total amount of €66.0 million was raised (before share issue expenses), taking into account convertible bonds subscribed prior to the capital increase. Following these operations, the PRODWAYS GROUP share capital comprised 49,823,057 shares. Holding 65.2% of the Company's share capital, Groupe Gorgé is still the Company's majority and long-term shareholder.

With this new capital increase, PRODWAYS GROUP has the financial means to ramp up its R&D investments and its commercial development, and to finance its targeted acquisitions in the 3D printing sector. A first acquisition was announced on 1 August, and a second one on 6 September 2017.

In the first half of 2017, the Group achieved revenue of €14.6 million, versus €12.4 million in H1 2016, representing growth of 18.2%.

Profit (loss) from continuing operations was - €3.1 million versus -€4.1 million in the first half of 2016. Operating income was -€3.3 million, versus -€4.7 million in 2016. Net income amounted to -€3.0 million, versus -€4.7 million in 2016.

Systems

First-half 2017 revenue amounted to €7.5 million, up 0.2% on the same period the previous year.

Profit (loss) from continuing operations in the division was -€1.9 million, versus -€3.6 million in the first half of 2016, and operating income was -€2.0 million (negative €4.1 million in 2016).

Products

First-half 2017 revenue amounted to €7.4 million, up 50.5% on the same period the previous year.

Profit (loss) from continuing operations in the division was a negative €0.4 million, versus €0.0 million in the first half of 2016, just like operating income.

⁽¹⁾ *Document de Base* filed with the French Financial Markets Authority (*Autorité des Marchés Financiers* - AMF) on 23 March 2017 under number I.17-008 and Prospectus (*Document de Base*, prospectus and summary of prospectus) approved by the AMF on 25 April 2017 under number 17-174.

NOTE ON RELATED-PARTY TRANSACTIONS

Related parties are persons (Directors, managers of PRODWAYS GROUP or of its principal subsidiaries) or companies owned or managed by such persons (except for subsidiaries of PRODWAYS GROUP). The following transactions with related parties conducted during the year have been identified in the PRODWAYS GROUP financial statements:

<i>In thousands of euros, in the Group's financial statements</i>	GROUPE GORGÉ	GROUPE GORGÉ SUBSIDIARIES	CBG CONSEIL
Income statement			
Revenue	3	104	-
Other income	-	-	-
Purchases and other external charges	(267)	(438)	(63)
Balance sheet			
Trade receivables	-	77	-
Receivables related to tax consolidation	1,019	-	-
Trade payables	290	86	12
Miscellaneous debts	6	-	-
Liabilities related to tax consolidation	38	-	-

GROUPE GORGÉ is the principal shareholder company of PRODWAYS GROUP, owning 65.24% of the share capital. It is chaired by Mr Raphaël Gorgé, Chairman of PRODWAYS GROUP.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

<i>(In thousands of euros)</i>	Notes	30/06/2017	30/06/2016*	31/12/2016
NON-CURRENT ASSETS		34,610	33,350	33,750
Goodwill	5.1	18,560	18,543	18,560
Intangible assets	5.2	6,616	6,372	6,671
Property, plant and equipment	5.3	5,989	6,384	5,670
Investments in affiliated companies	7.3	1,478	1,403	1,417
Other financial assets		265	272	280
Deferred tax assets	8.2	1,702	376	1,152
CURRENT ASSETS		80,923	28,017	21,810
Net inventories	4.3	5,054	5,533	5,602
Net trade receivables	4.4	6,596	6,963	5,038
Other current assets	4.5	2,605	2,250	2,448
Tax receivables payable	8.2	278	15	12
Other current financial assets		31	-	31
Cash and cash equivalents	7.2	66,358	13,256	8,680
ASSETS HELD FOR SALE		-	-	-
TOTAL ASSETS		115,533	61,367	55,560

*30/06/2016 column restated to reflect the items described in Note 1.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total equity and liabilities

<i>(In thousands of euros)</i>	Notes	30/06/2017	30/06/2016*	31/12/2016
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		85,728	29,515	25,911
Share capital ⁽¹⁾	9.1	24,912	16,897	16,897
Share premiums ⁽¹⁾		78,645	23,821	23,857
Retained earnings and other reserves		(17,828)	(11,202)	(14,842)
NON-CONTROLLING INTERESTS		49	29	101
NON-CURRENT LIABILITIES		14,043	14,689	14,154
Long-term provisions	10.1	545	610	547
Long-term liabilities – portion due in more than one year	7.1	13,316	13,881	13,417
Deferred tax liabilities	8.2	182	198	190
Other non-current liabilities		-	-	-
CURRENT LIABILITIES		15,713	17,133	15,394
Short-term provisions	10.2	28	27	28
Long-term liabilities – portion due in less than one year	7.1	3,890	2,976	2,901
Operating payables	4.6	5,362	6,070	5,384
Other current liabilities	4.6	6,253	7,986	7,010
Tax liabilities payable	8.2	181	73	71
LIABILITIES HELD FOR SALE		-	-	-
TOTAL LIABILITIES		115,533	61,367	55,560

*30/06/2016 column restated to reflect the items described in Note 1.2

⁽¹⁾ Of the consolidating parent company.

CONSOLIDATED INCOME STATEMENT

<i>(In thousands of euros)</i>	Notes	30/06/2017	30/06/2016	31/12/2016
REVENUE		14,645	12,388	25,210
Capitalised production		1,119	1,393	2,182
Inventories and work in progress		(167)	(389)	(811)
Other income from operations		358	156	475
Purchases consumed		(9,007)	(9,071)	(16,640)
Personnel expenses		(8,071)	(7,207)	(14,872)
Tax and duties		(245)	(88)	(308)
Depreciation, amortisation and provisions (net of reversals)	4.1	(1,759)	(1,199)	(3,142)
Other operating expense (net of income)		(12)	(111)	(151)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		(3,140)	(4,128)	(8,058)
Non-recurring items	4.2	(148)	(529)	(809)
OPERATING INCOME		(3,287)	(4,657)	(8,867)
Interest on gross debt		(114)	(31)	(144)
Interest on cash and cash equivalents		1	4	4
COST OF NET DEBT (a)		(113)	(27)	(140)
Other financial income (b)		67	42	177
Other financial expense (c)		(100)	(24)	(59)
FINANCIAL INCOME AND EXPENSES (d=a+b+c)		(146)	(8)	(22)
Income tax	8.2	383	(44)	535
Group share of the earnings of equity-accounted companies		75	37	42
NET INCOME FROM CONTINUING ACTIVITIES AFTER TAX		(2,883)	(4,672)	(8,312)
Net income from discontinued activities		-	-	-
NET INCOME		(2,976)	(4,672)	(8,312)
Net income attributable to non-controlling interests		(53)	(36)	(41)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		(2,923)	(4,636)	(8,271)

Average no. of shares	9.2	37,939,523	16,896,535	16,896,535
Net income from continuing operations per share (in euros)	9.2	(0.077)	(0.274)	(0.490)
Net income per share (in euros)	9.2	(0.077)	(0.274)	(0.490)

INCOME STATEMENT - GAINS AND LOSSES RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY

<i>(In thousands of euros)</i>	30/06/2017	30/06/2016	31/12/2016
NET INCOME	(2,976)	(4,672)	(8,312)
Currency translation adjustment	47	4	(9)
Tax relating to currency translation adjustments	-	-	-
Actuarial gains and losses on defined benefit plans	50	(42)	45
Tax relating to actuarial gains and losses on defined benefit plans	(17)	14	(15)
Group share of gains and losses recognised directly in equity of equity-accounted companies	-	-	-
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY	80	(25)	21
- of which can be reclassified subsequently to profit and loss	80	(25)	21
- of which cannot be subsequently reclassified to profit and loss	-	-	-
CONSOLIDATED COMPREHENSIVE INCOME	(2,895)	(4,696)	(8,291)
- of which Group share	(2,842)	(4,660)	(8,251)
- of which non-controlling interests	(53)	(36)	(40)

CASH FLOW STATEMENT

<i>(In thousands of euros)</i>	30/06/2017	30/06/2016	31/12/2016
NET INCOME FROM CONTINUING OPERATIONS	(2,976)	(4,672)	(8,312)
Accruals	2,071	1,000	2,644
Capital gains and losses on disposals	70	213	297
Group share of income of equity-accounted companies	(75)	(37)	(42)
CASH FLOW FROM OPERATING ACTIVITIES (before elimination of net borrowing costs and taxes)	(910)	(3,497)	(5,413)
Cost of net debt	99	27	111
Tax expense	(383)	44	(535)
CASH FLOW FROM OPERATING ACTIVITIES (after elimination of net borrowing costs and taxes)	(1,194)	(3,426)	(5,837)
Tax paid	(193)	(200)	(434)
Change in working capital requirements	(1,088)	217	(61)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(2,476)	(3,422)	(6,332)
Investing activities			
Payments/acquisition of intangible assets	(731)	(1,584)	(1,876)
Payments/acquisition of property, plant and equipment	(1,280)	(829)	(1,510)
Proceeds/disposal of property, plant and equipment and intangible assets	-	-	-
Payments/acquisition of long-term investments	(3)	(2)	(16)
Proceeds/disposal of long-term investments	19	5	11
Net cash inflow/outflow on the acquisition/disposal of subsidiaries	(1,000)	(301)	(296)
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	(2,995)	(2,711)	(3,687)
Financing activities			
Capital increase or contributions	62,531	5	-
Dividends paid to parent company shareholders	-	-	-
Dividends paid to non-controlling interests	-	-	-
Proceeds from borrowings	700	10,028	10,098
Repayment of borrowings	(473)	(444)	(947)
Cost of net debt	(99)	(14)	(111)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	62,660	9,575	9,039
CASH GENERATED BY CONTINUING OPERATIONS (D= A+B+C)	57,189	3,442	(980)
Cash generated by discontinued operations	-	-	-
CHANGE IN CASH AND CASH EQUIVALENTS	57,189	3,442	(980)
<i>Effects of exchange rate changes</i>	(5)	-	31
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6,871	7,821	7,821
Restatement of cash and cash equivalents	(180)	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	63,875	11,263	6,871

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>(In thousands of euros)</i>	Group share or owners of the parent company						
	Capital	Share capital reserves	Treasury shares	Retained earnings and other reserves	Equity – Group share or owners of the parent company	Equity – Minority interests or non-controlling interests	Total equity
2016 CLOSING EQUITY	16,897	23,857	-	(14,842)	25,911	101	26,012
Share capital transactions	8,015	64,515	-	-	72,530	0	72,530
Treasury share transactions	-	-	(146)	-	(146)	-	(146)
Bond component	-	(10,000)	-	-	(10,000)	-	(10,000)
Payments in shares	-	273	-	3	276	-	276
<i>Net income (loss) for the period</i>	-	-	3	(2,927)	(2,924)	(53)	(2,976)
<i>Items in comprehensive income</i>	-	-	-	80	80	-	80
CONSOLIDATED COMPREHENSIVE INCOME	-	-	3	(2,847)	(2,843)	(53)	(2,896)
Changes in scope	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
JUNE 2017 CLOSING EQUITY	24,912	78,645	(143)	(17,686)	85,728	48	85,776

<i>(In thousands of euros)</i>	Group share or owners of the parent company						
	Capital	Share capital reserves	Treasury shares	Retained earnings and other reserves	Equity – Group share or owners of the parent company	Equity – Minority interests or non-controlling interests	Total equity
2015 CLOSING EQUITY	16,897	23,821	-	(5,924)	34,793	-	34,793
Corrections	-	-	-	(569)	(569)	-	(569)
2015 CLOSING EQUITY, RESTATED	16,897	23,821	-	(6,494)	34,224	-	34,224
Share capital transactions	-	-	-	-	-	-	-
Bond component	-	-	-	-	-	-	-
<i>Net income (loss) for the period</i>	-	-	-	(4,635)	(4,635)	(36)	(4,672)
<i>Items in comprehensive income</i>	-	-	-	(25)	(25)	-	(25)
CONSOLIDATED COMPREHENSIVE INCOME	-	-	-	(4,660)	(4,660)	(36)	(4,696)
Changes in scope	-	-	-	(48)	(48)	65	17
Other	-	-	-	-	-	-	-
JUNE 2016 CLOSING EQUITY	16,897	23,821	-	(11,202)	29,515	29	29,545

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PRODWAYS GROUP's condensed consolidated interim financial statements cover a six-month period from 1 January to 30 June 2017. They were approved by the Board of Directors on 6 September 2017.

The Group observes variations in its businesses that can affect the level of revenue from one six-month period to another. Accordingly, the interim results are not necessarily indicative of what can be expected for full-year 2017.

The significant events in the first half are discussed in the management report.

NOTE 1 ACCOUNTING PRINCIPLES

1.1 Accounting principles

The Group prepares consolidated financial statements on a biannual basis, in accordance with IAS 34 "*Interim Financial Reporting*". They do not contain all the information required for annual financial statements and must be read in conjunction with the consolidated financial statements for the financial year ended 31 December 2016, as published in the 2016 financial report.

The condensed consolidated financial statements for the six-months ended 30 June 2017 were prepared using identical accounting policies as used to prepare the consolidated financial statements for the financial year ended 31 December 2016, with the exception of the new standards, revised standards and interpretations applicable as from 1 January 2017.

The Group has not applied the following standards and interpretations, which had not been adopted by the European Union as at 30 June 2017 or for which application is not mandatory as of 1 January 2017:

- Standards adopted by the European Union:

- IFRS 15 – *Revenue from Contracts with Customers*,

- IFRS 9 – *Financial instruments*;

- Standards not adopted by the European Union:

- IFRS 16 – *Leases*,

- IFRS 15 – *Clarifications*,

- IFRS 17 – *Insurance contracts*,

- Amendments to IAS 7: Statement of Cash Flows: Disclosure Initiative,

- Annual improvements to IFRS 2014-2016 Cycle (December 2016),

- Amendments to IAS 40: Transfers of investment property

- IFRIC 23: Uncertainty over income tax treatments

- IFRIC 22: Foreign currency transactions and advance consideration,

- Amendments to IFRS 2: Classification and measurement of share-based payment transactions,

- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses,

- Amendments to IFRS 4: Applying IFRS 9 - Financial instruments with IFRS 4 Insurance contracts,

- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture.

The determination process by PRODWAYS GROUP of the potential impacts on the consolidated financial statements of the Group of non-applicable standards is in progress. At this stage of the analysis, the Group does not anticipate any significant impact on its consolidated financial statements, with the exception of IFRS 16, whose main impact in 2019 would be the reintegration of rental operating lease commitments to financial debt.

Regarding IFRS 15, the Group has not identified any significant impact with respect to the current practice related to the sale of goods and service provision. Based on works carried out to date, the Group does not expect any significant impact.

1.2 Restatement of the financial statements at 30 June 2016

The financial statements at 30 June 2016 were adjusted to correct the accounting presentation regarding customer accounts. This restatement has no impact on the income statement.

<i>(In thousands of euros)</i>	30/06/2016 published	Restatement	30/06/2016 restated
NON-CURRENT ASSETS	33,350	-	33,350
Goodwill	18,543	-	18,543
Intangible assets	6,372	-	6,372
Property, plant and equipment	6,384	-	6,384
Investments in affiliated companies	1,403	-	1,403
Other financial assets	272	-	272
Deferred tax assets	376	-	376
CURRENT ASSETS	30,496	(2,479)	28,017
Net inventories	5,533	-	5,533
Net trade receivables	9,442	(2,479)	6,963
Other current assets	2,250	-	2,250
Tax receivables payable	15	-	15
Other current financial assets	-	-	-
Cash and cash equivalents	13,256	-	13,256
ASSETS HELD FOR SALE	-	-	-
TOTAL ASSETS	63,846	(2,479)	61,367

<i>(In thousands of euros)</i>	30/06/2016 reported	Restatement	30/06/2016 restated
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	29,515	-	29,515
NON-CONTROLLING INTERESTS	29	-	29
NON-CURRENT LIABILITIES	14,689	-	14,689
Long-term provisions	610	-	610
Long-term liabilities – portion due in more than one year	13,881	-	13,881
Deferred tax liabilities	198	-	198
Other non-current liabilities	-	-	-
CURRENT LIABILITIES	19,612	(2,479)	17,133
Short-term provisions	27	-	27
Long-term liabilities – portion due in less than one year	2,976	-	2,976
Operating payables	6,070	-	6,070
Other current liabilities	10,466	(2,479)	7,986
Tax liabilities payable	73	-	73
LIABILITIES HELD FOR SALE	-	-	-
TOTAL LIABILITIES	63,846	(2,479)	61,367

1.3 Valuation methods and rules

The financial statements have been prepared under the historical cost convention, except in the case of derivatives and available-for-sale financial assets, which are measured at fair value. Financial liabilities are measured at amortised cost. Hedging instruments are measured at fair value.

The preparation of the financial statements requires that Group management or the subsidiaries' management make estimates and assumptions that affect the reported amounts of assets and liabilities on the consolidated balance sheet, the reported amounts of income and expense items on the income statement and the commitments relating to the period under review. The actual results may differ.

The above-mentioned assumptions mainly concern:

- the calculation of the recoverable amounts of assets;
- the calculation of provisions for risks and charges;
- the calculation of income upon completion of work in progress;
- the calculation of retirement benefit obligations.

As the Group's consolidated companies operate in different sectors, the valuation and impairment methods used for certain items may vary according to the sector.

The valuation methods and rules applied to the interim consolidated financial statements are similar to those described in the notes to the 2016 financial statements.

NOTE 2 SCOPE OF CONSOLIDATION

2.1 List of consolidated companies

Company	at 30 June 2017	% control		% interest		Method	
		June 2017	2016	June 2017	2016	June 2017	2016
Structure							
PRODWAYS GROUP	Consolidating company	Top	Top	Top	Top	FC	FC
PRODWAYS DISTRIBUTION	PRODWAYS GROUP	100	100	100	100	FC	FC
PRODWAYS ENTREPRENEURS	PRODWAYS GROUP	100	100	100	100	FC	FC
PRODWAYS 1	PRODWAYS GROUP	100	100	100	100	FC	FC
PRODWAYS 2	PRODWAYS GROUP	100	100	100	100	FC	FC
Systems							
DELTAMED (Germany)	PRODWAYS GROUP	100	100	100	100	FC	FC
EXCELTEC	PRODWAYS GROUP	100	100	100	100	FC	FC
PRODWAYS	PRODWAYS GROUP	100	100	100	100	FC	FC
PRODWAYS AMERICAS (USA)	PRODWAYS	100	100	100	100	FC	FC
PRODWAYS MATERIALS (Germany)	DELTAMED	100	100	100	100	FC	FC
VARIA 3D (USA)	PRODWAYS GROUP	45	45	45	45	EM	EM
Products							
CRISTAL	PRODWAYS GROUP	95	95	95	95	FC	FC
DENTOSMILE	PRODWAYS ENTREP.	20	20	20	20	EM	EM
INITIAL	PRODWAYS GROUP	100	100	100	100	FC	FC
PODO 3D	PRODWAYS GROUP	82.07	82.07	82.07	82.07	FC	FC
PRODWAYS CONSEIL	PRODWAYS GROUP	90	-	90	-	FC	-

2.2 Changes in the consolidation scope

A single change was made to the scope of consolidation in the first half-year: the creation of PRODWAYS CONSEIL.

The fair value measurement of the assets, liabilities and contingent liabilities acquired from the company CRISTAL has been finalised. No adjustments were made during the 12 months following the acquisition date.

NOTE 3 SEGMENT INFORMATION

3.1 Key indicators by division

FIRST HALF OF 2017

<i>(In thousands of euros)</i>	Systems	Products	Structure	Disposals	Consolidated
Revenue	7,469	7,442	293	(559)	14,645
EBITDA	(749)	231	(457)	-	(975)
% of revenue	(10.0%)	3.1%	NA	-	(6.7%)
Profit (loss) from continuing operations	(1,855)	(422)	(863)	0	(3,140)
% of revenue	(24.8%)	(5.7%)	NA	-	(21.4%)
Operating income	(2,016)	(422)	(850)	0	(3,287)
% of revenue	(27.0%)	(5.7%)	NA	-	(22.4%)
Research and development expenses capitalised over the period	595	95	-	-	690
Other property, plant and equipment and intangible investments	400	974	-	-	1,374

FIRST HALF OF 2016

<i>(In thousands of euros)</i>	Systems	Products	Structure	Disposals	Consolidated
Revenue	7,456	4,944	157	(169)	12,388
EBITDA	(2,897)	570	(558)	-	(2,885)
% of revenue	(38.9%)	11.5%	NA	-	(23.3%)
Profit (loss) from continuing operations	(3,550)	27	(604)	-	(4,128)
% of revenue	(47.6%)	0.5%	NA	-	(33.3%)
Operating income	(4,080)	27	(604)	-	(4,657)
% of revenue	(54.7%)	0.5%	NA	-	(37.6%)
Research and development expenses capitalised over the period	655	-	-	-	655
Other property, plant and equipment and intangible investments	1,277	2,277	11	-	3,565

3.2 Reconciliation of EBITDA with operating income

EBITDA, defined as profit (loss) from continuing operations before depreciation, amortisation and provisions, and before bonus share allocation charges, is a performance indicator used by management to manage the Group's activities.

FIRST HALF OF 2017

<i>(In thousands of euros)</i>	Systems	Products	Structure	Consolidated
EBITDA	(749)	231	(457)	(975)
Share-based payments (IFRS 2)	-	(3)	(403)	(406)
Depreciation, amortisation and provisions	(1,106)	(650)	(3)	(1,759)
Non-recurring items in operating income	(161)	-	14	(148)
Operating income	(2,016)	(422)	(850)	(3,287)

FIRST HALF OF 2016

<i>(In thousands of euros)</i>	Systems	Products	Structure	Consolidated
EBITDA	(2,897)	570	(558)	(2,885)
Share-based payments (IFRS 2)	-	-	(44)	(44)
Depreciation, amortisation and provisions	(653)	(544)	(2)	(1,199)
Non-recurring items in operating income	(529)	-	-	(529)
Operating income	(4,080)	27	(604)	(4,657)

3.3 Information on revenue by geographical area

FIRST HALF OF 2017

<i>(In thousands of euros)</i>	France	%	Europe	%	Other	%	Total Revenue	%
Systems	1,932	24%	3,417	77%	2,120	100%	7,469	51%
Products	6,396	79%	1,037	23%	9	0%	7,442	51%
Structure and disposals	(266)	(3%)	-	-	-	-	(266)	(2%)
TOTAL	8,061	100%	4,455	100%	2,129	100%	14,645	100%
%	55%		30%		15%		100%	

FIRST HALF OF 2016

<i>(In thousands of euros)</i>	France	%	Europe	%	Other	%	Total Revenue	%
Systems	1,132	23%	3,451	75%	2,873	100%	7,456	60%
Products	3,804	77%	1,139	25%	0	0%	4,944	40%
Structure and disposals	(12)	(0%)	-	-	-	-	(12)	(0%)
TOTAL	4,924	100%	4,591	100%	2,873	100%	12,388	100%
%	40%		37%		23%		100%	

NOTE 4 OPERATIONAL DATA

4.1 Depreciation, amortisation and provisions (net of reversals)

<i>(In thousands of euros)</i>	30/06/2017	30/06/2016	31/12/2016
DEPRECIATION, AMORTISATION AND PROVISIONS			
Intangible assets	(624)	(333)	(846)
Property, plant and equipment	(675)	(527)	(1,109)
Capital leases	(268)	(247)	(559)
SUBTOTAL	(1,567)	(1,106)	(2,514)
CHARGES TO PROVISIONS, NET OF REVERSALS			
Inventory and work in process	-	(125)	(125)
Current assets	(142)	(9)	(432)
Risks and charges	(51)	42	(72)
SUBTOTAL	(193)	(92)	(629)
TOTAL DEPRECIATION, AMORTISATION AND PROVISIONS	(1,759)	(1,199)	(3,142)

4.2 Non-recurring items in operating income

<i>(In thousands of euros)</i>	30/06/2017	30/06/2016	31/12/2016
Profit (loss) from continuing operations (A)	(3140)	(4,128)	(8,058)
Acquisition costs	-	-	(119)
Amortisation of intangible assets recognised at fair value during the acquisitions	(161)	(161)	-
Provisions for impairment of asset values	-	(370)	(322)
Other	14	2	(368)
Total non-recurring items (B)	(148)	(529)	(809)
OPERATING INCOME (C) = (A)-(B)	(3,287)	(4,657)	(8,867)

4.3 Inventory and work in progress

Movements in inventories in the consolidated balance sheet are as follows:

<i>(In thousands of euros)</i>	30/06/2017			31/12/2016		
	Gross values	Write-downs	Net values	Gross values	Write-downs	Net values
Raw materials	968	-	968	970	-	970
Work in progress	1,184	-	1,184	1,359	-	1,359
Semi-finished and finished	1,007	(370)	637	999	(370)	629
Goods	2,522	(256)	2,265	2,902	(256)	2,645
TOTAL INVENTORY AND WORK IN PROGRESS	5,680	(626)	5,054	6,228	(626)	5,602

4.4 Net trade receivables and related accounts

<i>(In thousands of euros)</i>	30/06/2017	31/12/2016
Trade receivables	5,334	4,915
Invoices to be drawn up	1,821	680
TRADE RECEIVABLES, GROSS VALUES	7,155	5,595
Impairment losses	(558)	(556)
CUSTOMERS, NET VALUES	6,596	5,038

4.5 Other current assets

<i>(In thousands of euros)</i>	30/06/2017			31/12/2016
	Gross values	Write-downs	Net values	Net values
Advances and down-payments made	35	-	35	6
Other receivables	1,174	-	1,174	1,295
Social and tax receivables	1,137	-	1,137	862
Prepaid expenses	260	-	260	285
TOTAL OTHER CURRENT RECEIVABLES	2,605	-	2,605	2,448

4.6 Other current liabilities

<i>(In thousands of euros)</i>	30/06/2017	31/12/2016
Suppliers	5,302	4,108
Fixed asset suppliers	60	1,276
TOTAL TRADE PAYABLES	5,362	5,384
Advances and down-payments received	227	443
Social Security liabilities	3,347	3,279
Tax liabilities	411	286
Current accounts payable	-	377
Miscellaneous debts	582	720
Deferred income	1,687	1,904
TOTAL OTHER CURRENT LIABILITIES	6,253	7,010

Deferred income corresponds either to grants and the research tax credit that will be recognised in income throughout the amortisation of the corresponding assets (€1,480 thousand), or to the elimination of invoices issued before the delivery of goods sold to customers (€207 thousand).

NOTE 5 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

5.1 Goodwill

<i>(In thousands of euros)</i>	30/06/2017	31/12/2016
NET VALUE		
START OF THE PERIOD	18,560	17,940
Acquisitions	-	-
Changes in scope	-	620
Departures	-	-
Other changes	-	-
Impact of changes in exchange rates	-	-
CLOSING	18,560	18,560
Write-downs	-	-
Systems	57%	57%
Products	43%	43%

5.2 Intangible assets

<i>(In thousands of euros)</i>	Development projects	Other intangible assets	Non-current assets in progress	TOTAL
<i>GROSS VALUES</i>				
AT 1 JANUARY 2017	7,195	2,730	-	9,925
Acquisitions	690	41	-	731
Changes in scope	-	-	-	-
Departures	-	-	-	-
Other changes	-	-	-	-
Impact of changes in exchange rates	-	-	-	-
AT 30 JUNE 2017	7,885	2,770	-	10,655
<i>DEPRECIATION AND AMORTISATION, AND IMPAIRMENT</i>				
AT 1 JANUARY 2017	1,761	1,492	-	3,253
Depreciation and amortisation	653	132	-	785
Changes in scope	-	-	-	-
Impairment losses	-	-	-	-
Departures	-	-	-	-
Other changes	-	-	-	-
Impact of changes in exchange rates	-	-	-	-
AT 30 JUNE 2017	2,415	1,624	-	4,039
<i>NET VALUES</i>				
AT 1 JANUARY 2017	5,434	1,238	-	6,671
AT 30 JUNE 2017	5,470	1,146	51	6,616

No indication of impairment was observed at 30 June 2017.

5.3 Property, plant and equipment

<i>(In thousands of euros)</i>	Land and buildings	Fixtures and equipment	Equipment held under finance leases	Non-current assets in progress	Advances and down-payments	TOTAL
<i>GROSS VALUES</i>						
AT 1 JANUARY 2017	50	8,443	3,452	-	-	11,944
Acquisitions	13	1,313	-	8	-	1,333
Changes in scope	-	-	-	-	-	-
Departures	-	(116)	-	-	-	(116)
Other changes	-	-	-	-	-	-
Impact of changes in exchange rates	-	(2)	-	-	-	(2)
AT 30 JUNE 2017	62	9,637	3,452	8	-	13,159
<i>DEPRECIATION AND AMORTISATION AND IMPAIRMENT</i>						
AT 1 JANUARY 2017	12	4,854	1,408	-	-	6,274
Depreciation and amortisation	3	672	268	-	-	942
Changes in scope	-	-	-	-	-	-
Impairment losses	-	1	-	-	-	1
Departures	-	(46)	-	-	-	(46)
Other changes	-	-	-	-	-	-
Impact of changes in exchange rates	-	-	-	-	-	-
AT 30 JUNE 2017	15	5,479	1,676	-	-	7,170
<i>NET VALUES</i>						
AT 1 JANUARY 2017	37	3,589	2,044	-	-	5,670
AT 30 JUNE 2017	47	4,158	1,776	8	-	5,989

6.1 Change in working capital requirements

<i>(In thousands of euros)</i>	Notes	Start of the period	Changes in scope	Change over the year	Other changes ⁽¹⁾	Currency translation adjustment	Closing
Net inventories		5,602	-	(548)	-	-	5,054
Net receivables		5,038	-	1,558	-	-	6,596
Advances and down-payments		6	-	29	-	-	35
Prepaid expenses		285	-	(24)	-	(1)	260
SUBTOTAL	A	10,931	-	1,015	-	(1)	11,945
Trade payables		4,108	-	1,194	-	-	5,302
Advances and down-payments		443	-	(217)	-	-	227
Deferred income		1,904	-	(217)	-	-	1,687
SUBTOTAL	B	6,455	-	761	-	-	7,216
WORKING CAPITAL REQUIREMENT	C = A - B	4,476	-	254	-	(1)	4,730
Social and tax receivables		874	-	541	-	-	1,415
Current accounts receivable		-	-	-	-	-	-
Other receivables		1,295	-	(121)	31	-	1,205
SUBTOTAL	D	2,168	-	421	31	-	2,619
Tax and social debts		3,675	-	302	-	-	3,976
Accrued interest		1	-	2	-	-	3
Other payables and derivative instruments		682	-	(339)	269	(69)	542
Current accounts payable		377	-	(377)	-	-	-
SUBTOTAL	E	4,735	-	(413)	269	(69)	4,522
OTHER ITEMS OF WORKING CAPITAL REQUIREMENT	F = D - E	(2,567)	-	834	(238)	69	(1,903)
WORKING CAPITAL REQUIREMENT	G = C + F	1,909	-	1,088	(238)	68	2,827
⁽¹⁾ The "Other changes" column concerns cash flows that did not affect income from continuing operations or generate any cash movements or any restatements between accounts.							

6.2 Net cash inflow/outflow on the acquisition and disposal of subsidiaries

In April 2017, PRODWAYS GROUP paid the balance of the acquisition price of INITIAL (acquisition made in 2015).

6.3 Subscription and redemption of long-term loans

In February 2017, INITIAL took out a bank loan for €700 thousand at a fixed rate of 0.6% (repayable over five years) to finance its investments.

7.1 Gross financial debt
Changes in borrowings and financial debt

<i>(In thousands of euros)</i>	Start of the period	Changes in scope	Increase	Decrease	Other changes*	Currency translation adjustment	Closing
Restatement of finance leases	2,037	-	-	(262)	-	-	1,775
Bank borrowings	12,206	-	701	(212)	15	-	12,710
Other borrowings	237	-	2	-	-	-	238
FINANCIAL DEBT EXCLUDING CURRENT BANK OVERDRAFTS	14,480	-	702	(474)	15	-	14,722
Bank overdrafts	1,839	-	2,483	(1,839)	-	-	2,483
GROSS FINANCIAL DEBT	16,319	-	3,185	(2,313)	15	-	17,205

* Corresponds to the restatement of loans using the effective interest method.

Schedule of borrowings and financial debt

<i>(In thousands of euros)</i>	30/06/2017	<1 year	>1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Restatement of finance leases	1,775	505	1,269	494	497	278	-	-
Bank borrowings	12,710	807	11,902	3,137	3,077	2,974	2,714	-
Other borrowings	238	94	144	-	-	-	-	144
FINANCIAL DEBT EXCLUDING CURRENT BANK OVERDRAFTS	14,722	1,407	13,315	3,632	3,573	3,253	2,714	144
Bank overdrafts	2,483	2,483	-	-	-	-	-	-
GROSS FINANCIAL DEBT	17,205	3,890	13,315	3,632	3,573	3,253	2,714	144

7.2 Cash and cash equivalents

<i>(In thousands of euros)</i>	30/06/2017	31/12/2016
Cash (a)	66,358	8,680
Bank overdrafts (b)	2,483	1,839
Cash appearing on the CFS (c)=(a)-(b)	63,875	6,841
Financial debt excluding current bank overdrafts (d)	14,722	14,480
NET CASH (NET debt) (c)-(d)	49,153	(7,639)
Treasury shares	139	-
ADJUSTED NET CASH (NET DEBT)	49,292	(7,639)

7.3 Investments in affiliated companies

The movements over the year are as follows:

<i>(In thousands of euros)</i>	Start of the period	In	Income	Exit	Other	Closing
DENTOSMILE	803	-	64	-	-	867
VARIA 3D	615	-	11	-	(14)	611
TOTAL EQUITY INVESTMENTS IN ASSOCIATES	1,417	-	74	-	(14)	1,478

NOTE 8 CORPORATE INCOME TAX

8.1 Tax consolidation

PRODWAYS GROUP and its eligible subsidiaries were part of the tax consolidation group established by GROUPE GORGÉ until 31 December 2016. The tax consolidation agreements stipulate that the deficits carried forward and transmitted to GROUPE GORGÉ will be indemnified in accordance (period, rate and amount) with the use which the company that transmitted them would have made if it had not belonged to the tax consolidation group. These deficits amounted to €16.4 million at 31 December 2016.

8.2 Details of corporate income tax

Breakdown of tax expense

<i>(In thousands of euros)</i>	30/06/2017	30/06/2016	31/12/2016
Deferred tax liabilities	577	157	969
Taxes payable	(193)	(200)	(434)
TAX EXPENSE	383	(44)	535

The tax expense does not include the Research Tax Credit (CIR) or the Tax Credit for Encouraging Competitiveness and Jobs (CICE), classified under "Other income from operations". It does, however, include the Contributions on Corporate Added Value (CVAE).

Tax receivables and payable

<i>(In thousands of euros)</i>	30/06/2017	31/12/2016
Tax receivables	278	12
Tax payable	(181)	(71)
NET TAX RECEIVABLE/(DUE)	(98)	59

Tax receivables consist mainly of receivables for the Research Tax Credit and the Tax Credit for Encouraging Competitiveness and Jobs, which could not be included in tax payable.

Breakdown of deferred taxes by type

(In thousands of euros)	30/06/2017	31/12/2016
DIFFERENCES OVER TIME		
Retirement and related benefits	181	182
Finance leases	1	(1)
Derivative financial instruments	(27)	(31)
Fair value - IFRS 3	(857)	(909)
Other	138	95
SUBTOTAL	(564)	(665)
Temporary differences	28	35
Deficits carried forward	2,056	1,592
TOTAL	1,520	962
DEFERRED TAX LIABILITIES	(182)	(190)
DEFERRED TAX ASSETS	1,702	1,152

NOTE 9 SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

9.1 Equity

The Combined Shareholders' Meeting of 21 March 2017 decided to halve the par value of PRODWAYS GROUP shares (thereby doubling the number of shares making up the share capital, i.e. bringing the total number of shares to 33,793,070). The share capital then increased by 16,029,987 shares through the creation of new shares alongside the listing of PRODWAYS GROUP. As part of this operation, a *Document de Base* was filed with the French Financial Markets Authority (*Autorité des Marchés Financiers* - AMF) under number I.17-008 and a Prospectus was approved on 25 April 2017 under number 17-174.

As at 30 June 2017, the share capital of PRODWAYS GROUP was €24,911,528.50, consisting of 49,823,057 fully paid-up shares, each with a par value of €0.5.

Shareholding

	30-June-2017				31-Dec-16 ⁽¹⁾			
	Shares	% of share of capital	Voting rights exercisable at the Shareholders' Meeting ⁽²⁾	% voting rights exercisable at the Shareholder's Meeting	Shares	% of share of capital	Voting rights exercisable at the Shareholders' Meeting ⁽²⁾	% voting rights exercisable at the Shareholder's Meeting
GROUPE GORGÉ	32,504,462	65.24%	32,504,462	65.27%	16,252,231	96.19%	16,252,231	96.19%
André-Luc Allanic	1,100,000	2.21%	1,100,000	2.21%	550,000	3.26%	550,000	3.26%
BNP Développement	201,753	0.40%	201,753	0.41%	-	-	-	-
Bpifrance	750,000	1.51%	750,000	1.51%	-	-	-	-
Fimalac Développement	3,403,508	6.83%	3,403,508	6.83%	-	-	-	-
Safran Corporate Venture	907,894	1.82%	907,894	1.82%	-	-	-	-
Management	na	na	na	na	94,304	0.56%	94,304	0.56%
Treasury shares	22,811	0.05%	-	-	-	-	-	-
Public	10,932,629	21.94%	10,932,629	21.95%	-	-	-	-
Total	49,823,057	100.00%	49,800,246	100.00%	16,896,535	100%	16,896,535	100%

⁽¹⁾ Before dividing the par value.

The shares held by BNP Développement, Bpifrance, Fimalac Développement and Safran Corporate Venture are subject to a one-year retention commitment as from the first listing of PRODWAYS GROUP shares.

Since June 2017, PRODWAYS GROUP has implemented share buybacks as part of a liquidity contract.

Due to the existence of free share allocation plans, there are 657,940 potential shares.

9.2 Earnings per share

	30/06/2017	30/06/2016	31/12/2016
Weighted average number of shares	37,939,523	16,896,535	16,896,535
Dividend per share paid during the period	-	-	-
EARNINGS PER SHARE <i>(in euros)</i>	(0,077)	(0,274)	(0,490)
EARNINGS PER SHARE FROM ONGOING ACTIVITIES <i>(in euros)</i>	(0,077)	(0,274)	(0,490)
Dilutive potential ordinary shares ⁽¹⁾	657,940	786,164	1,192,594
Diluted weighted average number of shares	38,597,463	17,682,699	18,089,129
DILUTED EARNINGS PER SHARE <i>(in euros)</i>	(0,076)	(0,262)	(0,457)
DILUTED EARNINGS PER SHARE FROM ONGOING ACTIVITIES <i>(in euros)</i>	(0,076)	(0,262)	(0,457)
⁽¹⁾ In 2017, 657,940 shares linked to free share allocation plans.			

NOTE 10 PROVISIONS AND CONTINGENT LIABILITIES

10.1 Long-term provisions

Long-term provisions relate only to retirement indemnities (€545 thousand). The assumptions made in respect of this half-year are the same as at 31 December 2016 except for the discount rate, which increased from 1.31% to 1.67%. Following this change in the rate, the impact on equity for the period amounted to €(45) thousand (SORIE).

10.2 Other provisions for risks and charges

<i>(In thousands of euros)</i>	Litigation	Customer warranties	Other	Total
AT 1 JANUARY 2017	-	28	-	28
Appropriations	-	-	-	-
Provisions used	-	-	-	-
Reversals	-	-	-	-
IMPACT ON INCOME FOR THE PERIOD	-	-	-	-
Changes in scope	-	-	-	-
Other changes	-	-	-	-
Impact of changes in exchange rates	-	-	-	-
AT 30 JUNE 2017	-	28	-	28

11.1 Workforce

	30/06/2017	30/06/2016	31/12/2016
Systems	103	120	109
Products	141	128	135
Structure	2	-	5
TOTAL WORKFORCE	246	248	249
AVERAGE WORKFORCE	247	246	247

11.2 Commitments and contingent liabilities

Group commitments as recorded in the notes to the 2016 consolidated financial statements have not changed materially.

11.3 Exceptional events and disputes

The Group is involved in various legal proceedings. After reviewing each case and seeking counsel, the provisions considered necessary have, as applicable, been recorded in the financial statements.

There has been no significant change to disputes compared to the information provided in the notes to the consolidated financial statements at 31 December 2016.

11.4 Subsequent events

On 1 August 2017, PRODWAYS GROUP announced that it had entered into exclusive negotiations to acquire AVENAO Industrie, a specialist in the integration of DASSAULT Systèmes solutions.

An agreement to acquire INTERSON-PROTAC, a French leader in ear tips for hearing aids and customised hearing protectors, was announced on 6 September 2017.

No other major events took place between 30 June 2017 and the date of the meeting of the Board of Directors that approved the condensed consolidated financial statements.

STATUTORY AUDITORS' REVIEW REPORT ON THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirement of article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of PRODWAYS GROUP, for the period from January 1 to June 30, 2017; and
- the verification of information contained in the Interim Management Report.

These condensed half-yearly consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists primarily in making inquiries of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that the financial statements, taken as a whole, are free from material misstatements, as we would not become aware of all significant matters that might be identified in an audit.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

Without qualifying our above opinion, we draw your attention to the note 1.2 « Restatement of the financial statements at 30 June 2016 » of the appendix to consolidated financial statements, outlining the changes to the financial statements as of 30 June 2017 related to the retrospective correction of the financial statements.

II – Specific verification

We have also verified the information presented in the interim management report in respect of the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the condensed half yearly consolidated financial statements.

Neuilly-sur-Seine and Paris, 11 septembre 2017

The statutory auditors

PricewaterhouseCoopers Audit

Corevise

David Clairotte

Stéphane Marie